

AR28

*Corp report*

# HY'S OF CANADA LTD. / ANNUAL REPORT 1971







# PRESIDENT'S REPORT TO SHAREHOLDERS

Your company is pleased to report a substantial increase in earnings from the previous year and while we approach the coming year with cautious optimism we feel there is reason to believe this trend will continue.

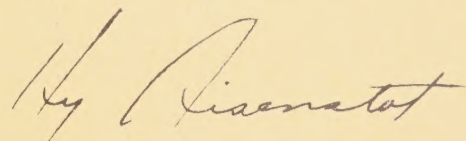
Our figures still do not indicate the rate of return on sales volume we consider they should. However, as you can see from the following financial statements we did net 27¢ per share after all taxes and depreciation compared with 14¢ last year. More significantly, perhaps, working capital (cash flow) from operations was 67¢ per share for fiscal 1971. From a management point of view a most gratifying figure and the one which will certainly ease our problems in financing and expansion is that our working capital deficit has been reduced by \$344,000.

As President I must report some problem areas have not yet been rectified as we had hoped they would be when we wrote our message last year. One or two of the new restaurants are still not profitable and management of the company is certainly working hard at finding the necessary solutions. However, all major restaurants are performing well and we are confident they will continue profitably for the company.

Earlier we mentioned our cautious optimism for the foreseeable future and because of this trend we expect to open a second Hy's in Toronto to be in operation before September 30th, 1972. The first one is operating almost to capacity. Most of our affiliated companies are quite active and are expanding from their original base because of their successful performance. The Village Green Hotel Ltd.,

in which your company has an interest, is building another hotel in Vernon, B.C., the Kobe Japanese Steak House is building a new restaurant in Hawaii, and we feel our investments in these companies are proving themselves to be sound.

Your company is very close to making a major decision in regard to opening one of its senior restaurants in the United States to test out the American market. We hope to be able to announce this project with our six month report. In closing let me say that the financial results of the past year reflect an improvement which we feel confident will continue in your company's future.





## DIRECTORS OF THE COMPANY



*Hy's of Canada Directors photographed in Hy's Encore, Vancouver. Left to right:*

**Jack Shatz**, Eastern Division Manager, Hy's of Canada. **Joe Garfin**, Real Estate Manager, Hy's of Canada. **Alan Eyre**, President, Duecks on Broadway Limited. **Bernie Aisenstat**, Operations Manager, Hy's of Canada. **Wm. E. Thomson**, Honorary Chairman of the Board, Pemberton Securities Ltd. **Don Rosebourne**, Vice President, Hy's of Canada. **Hy Aisenstat**, President, Hy's of Canada. *Missing from photograph: Arthur R. Smith, Vice President, Foster Advertising Limited and Continental Public Relations Limited.*



# CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS

for the year ended September 30, 1971 (with comparative figures for 1970)

## Income:

Sales .....	\$6,473,272	\$5,291,204
Management and rental income .....	209,674	209,834

1971	1970
\$6,473,272	\$5,291,204
209,674	209,834
<u>6,682,946</u>	<u>5,501,038</u>

## Expenses:

Cost of sales and administration .....	5,404,880	4,550,393
Interest .....	95,112	79,432
Real estate expenses and rent .....	363,081	305,664
Depreciation .....	273,072	221,603
Amortization of contract rights and deferred development expenses. ....	112,968	67,705

5,404,880	4,550,393
95,112	79,432
363,081	305,664
273,072	221,603
112,968	67,705
<u>6,249,113</u>	<u>5,224,797</u>

Earnings before Undernoted Items .....	433,833	276,241
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433,833	276,241
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## Provision for Income Taxes:

Current .....	185,836	139,892
Deferred .....	47,972	27,790

185,836	139,892
47,972	27,790
<u>233,808</u>	<u>167,682</u>

Minority Interest in Loss of Subsidiary .....	4,813	6,446
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4,813	6,446
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Earnings before Extraordinary Items .....	204,838	115,005
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204,838	115,005
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Extraordinary items (Note 6) .....	26,673	5,728
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26,673	5,728
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Net Earnings for the Year .....	231,511	120,733
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231,511	120,733
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Retained Earnings, beginning of year .....	304,832	188,408
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304,832	188,408
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Deduct: Income taxes deferred in prior years (Note 4) .....	536,343	309,141
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536,343	309,141
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Retained Earnings, end of year .....	4,216	4,309
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4,216	4,309
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<u>\$ 532,127</u>	<u>\$ 304,832</u>
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## Earnings per Share:

Earnings before extraordinary items .....	\$ .24	\$ .13
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\$ .24	\$ .13
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Net earnings for the year .....	\$ .27	\$ .14
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<u>\$ .27</u>	<u>\$ .14</u>
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The accompanying notes are an integral part of this statement.

# CONSOLIDATED BALANCE SHEET

September 30, 1971 (with comparative figures for 1970)

## ASSETS

### Current:

Cash .....	\$ 334,926	\$ 40,461
Short-term deposits and securities .....	135,000	40,000
Accounts receivable .....	296,857	420,903
Inventories — at cost .....	135,277	128,920
Prepaid expenses .....	144,003	37,761
Due from directors and officers .....	22,235	24,921
Current portion of note receivable .....	—	46,878
	<u>1,068,298</u>	<u>739,844</u>

### Investments:

Affiliated companies (Note 2) .....	282,372	283,048
Miscellaneous .....	5,573	5,573
	<u>287,945</u>	<u>288,621</u>

### Fixed — at cost:

Land .....	275,365	243,365
Buildings .....	1,134,189	1,121,454
Leasehold improvements .....	1,167,423	1,072,070
Furniture and equipment .....	1,015,359	979,154
	<u>3,592,336</u>	<u>3,416,043</u>
Deduct: Accumulated depreciation .....	<u>1,002,419</u>	<u>729,347</u>
	<u>2,589,917</u>	<u>2,686,696</u>

### Other:

Marketable securities (Note 3) .....	85,712	37,712
Goodwill — at cost .....	25,000	25,000
Excess of cost of shares in subsidiary over its recorded net asset value .....	99,900	99,900
Share issue expenses and organization costs .....	119,342	119,342
Deferred development expenses and contract rights less amortization of \$247,651 (1970 \$134,683) .....	<u>169,027</u>	<u>256,354</u>
	<u>498,981</u>	<u>538,308</u>
	<u>\$4,445,141</u>	<u>\$4,253,469</u>

The accompanying notes are an integral part of this statement.



## LIABILITIES

### Current:

Bank loans .....  
Accounts payable and accruals .....  
Income taxes payable .....  
Current portion of long-term debt .....  
Deferred income taxes (Note 4) .....

1971	1970
\$ 95,000	\$ 65,000
496,632	573,040
204,016	236,432
212,192	203,608
65,836	11,730

1,073,676

1,089,810

Long-Term Debt less current portion shown above (Note 3) .....

687,454

696,675

Deferred Incomes Taxes (Note 4) .....

64,151

70,285

Minority Interest .....

16,382

20,516

## SHAREHOLDERS' EQUITY

### Share Capital:

Authorized —  
1,000,000 common shares, no par value  
Issued —  
870,000 shares .....

2,071,351

2,071,351

Retained Earnings .....

532,127

304,832

2,603,478

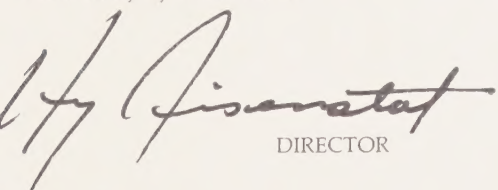
2,376,183

Commitments, Contingent Liabilities and Subsequent Events (Note 7)

\$4,445,141

\$4,253,469

On Behalf of the Board:

 DIRECTOR

 DIRECTOR

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

September 30, 1971

## 3. Long-Term Debt:

Bank loans .....	
Industrial Development Bank loan — 11% .....	
Mortgage — 7 ¼% .....	
Mortgage — 9 ½% .....	
Mortgage — 6 ½% .....	
Agreement for sale — no interest .....	
 Note payable — bank prime rate plus 1% .....	
 Other .....	

1971		1970	
Amount	Due Within One Year	Amount	Due Within One Year
\$348,335	\$126,660	\$445,534	\$147,768
239,000	42,000	120,000	11,000
109,728	12,287	121,037	11,000
30,000	1,905	—	—
24,544	15,000	36,850	13,000
75,285	14,340	89,625	14,340
	Payments		Payments
72,754	Based on	78,614	Based on
	Sales		Sales
—	—	8,623	6,500
<u>\$899,646</u>	<u>\$212,192</u>	<u>\$900,283</u>	<u>\$203,608</u>

The bank loans are payable on demand. However, the company has negotiated repayment terms over a number of years and accordingly the loans have been included in long-term debt. The bank loans are secured by hypothecation of marketable securities and certain shares in affiliated companies.

During 1971, a bank loan which was payable in U.S. funds was renegotiated and is now payable in Canadian funds. The resulting foreign exchange gain is shown on the consolidated statement of earnings and retained earnings as an extraordinary item.

## 4. Deferred Income Taxes:

In addition to the deferred income taxes recorded in the accounts, income taxes (of certain subsidiaries) were reduced in prior years in the aggregate amount of \$63,601 of

which \$4,216 became payable in the current year and has been applied against retained earnings. At September 30, 1971, accumulated tax reductions not recorded in the accounts amounted to \$59,385.



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#### 5. Remuneration of Directors:

The total remuneration paid during the year ended September 30, 1971 to directors of Hy's of Canada Ltd. (including salaries of directors who are also officers) was \$131,000 (1970 — \$126,500).

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#### 6. Extraordinary Items:

	1971	1970
Foreign exchange gain (See Note 3) . . . . .	\$ 13,131	\$ 5,728
Gain on sale of securities (See Note 2) . . . . .	13,542	—
	<u>\$ 26,673</u>	<u>\$ 5,728</u>



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#### 7. Commitments, Contingent Liabilities and Subsequent Events:

(i) Minimum rentals, excluding rentals based on a percentage of sales, under existing lease agreements will be approximately \$271,000 annually over the next five years. Total rent expense for the year ended September 30, 1971 including rentals based on a percentage of sales amounted to \$261,233 (1970 — \$224,497).

(ii) The companies have guaranteed loans and advances to affiliated companies up to \$303,000.

(iii) Subsequent to September 30, 1971, the directors of the company declared a dividend of 10¢ per share, payable on December 15, 1971.





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# AUDITORS' REPORT

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*To the Shareholders of  
Hy's of Canada Ltd.*

We have examined the consolidated balance sheet of Hy's of Canada Ltd. and Subsidiary Companies as at September 30, 1971 and the consolidated statements of earnings and retained earnings and source and application of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at September 30, 1971 and the results of their operations and the source and application of their working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, B.C.  
November 23, 1971.

*Collins, Lane Eddes, Valiquette & Barron*  
Chartered Accountants







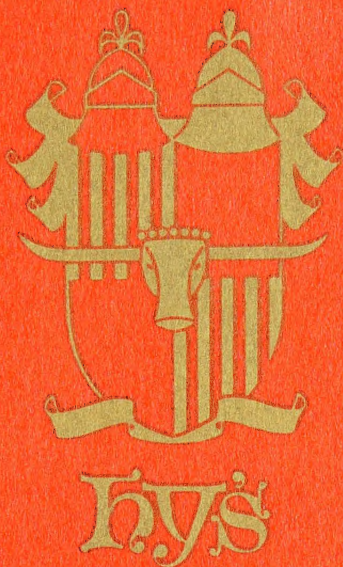




Hy's Steak House, 73 Richmond Street West, Toronto, Ontario / Hy's Steak Loft, 216 Kennedy Street, Winnipeg, Manitoba / Hy's Steak House, Midtown Plaza, Saskatoon, Sask. / Kobe Japanese Steak House, Honolulu, Hawaii (Affiliate) Opening early 1972 / Hy's, 316 - 4th Avenue S.W., Calgary, Alberta / Hy's Steak Out, College Mall, Mayor Magrath Drive, Lethbridge, Alberta / Hy's Encore, 637 Hornby Street, Vancouver, B.C. / Hy's at the Sands, 1755 Davie Street, Vancouver, B.C. / Hy's Prime Rib, 1177 West Hastings Street, Vancouver, B.C. / Plaza II, 1075 West Georgia Street, Vancouver, B.C. / Kobe Japanese Steak House, 1042 Alberni Street, Vancouver, B.C. (Affiliate) / Hy's Steak House, 777 Douglas Street, Victoria, B.C. / Little Harry's, Hillside Shopping Centre, 3102 Shelbourne Street, Victoria, B.C. / Village Green Inn, 141 Trans Canada Highway, Duncan, B.C. (Affiliate)



AR28



**HYS OF CANADA LTD.**

**INTERIM REPORT**

**MARCH 31st, 1971**





HY'S OF CANADA LTD. & SUBSIDIARY COMPANIES  
INTERIM FINANCIAL REPORT  
FOR THE SIX MONTHS ENDED MARCH 31, 1971

MAY 31, 1971

TO OUR SHAREHOLDERS:

The first six months of our current fiscal year ended March 31, 1971 have produced a substantial increase in sales and profit prior to depreciation and income taxes, compared to the six months ended March 31, 1970.

Despite increased costs generally, we believe that our profit margin should start to show a higher return from now on. Although comparative figures are not provided for the Statement of Source and Application of Funds, we would like to mention that in this half year our working capital position has improved by \$172,000. We think this is quite significant and we expect the full year will continue to show improvement in our working capital position.

No income or return of capital has been received from affiliate companies to date, but they are all progressing satisfactorily and we expect some income from them before the end of the fiscal period.

President.



**CONSOLIDATED STATEMENT OF EARNINGS  
FOR THE SIX MONTHS ENDED MARCH 31, 1971  
WITH COMPARATIVE FIGURES FOR 1970**

	1971	1970
Gross Income	\$3,178,848 ✓	\$2,353,520 ✓
Cost of producing income	2,834,955	2,084,104
Earnings prior to depreciation and income taxes	343,893	269,416
Depreciation and amortization	182,087	111,426
Net earnings before taxes	161,806	157,990
Current income taxes	72,584	46,125
Deferred income taxes	9,982	34,872
	82,566	80,997
Net consolidated earnings	79,240	76,993
Minority Interest in Loss of Subsidiary	2,680	—
Net earnings for the period	\$ 81,920 ✓	\$ 76,993 ✓

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AT MARCH 31, 1971  
COMPARED WITH THE POSITION  
AT MARCH 31, 1970**

	1971	1970
Current Assets	\$ 874,571	\$ 906,490
Less: Current Liabilities	1,052,518	1,314,648
Working Capital	(177,947)	(408,158)
Add: Fixed Assets (net)	2,640,775	2,775,150
Other Assets	875,060	842,127
Total Assets less Current Liabilities	3,337,888	3,209,119
Less: Debts not due within current year	788,310	783,270
Provision for future taxes	71,635	89,097
	859,945	872,367
	2,477,943	2,336,752
Less: Minority Interest	19,836	—
Shareholders' Equity	\$2,458,107	\$2,336,752

**NOTES:**

1. The financial information presented in this report has been prepared from the Company's records without audit.
2. Depreciation and amortization expense includes deferred expenses written off amounting to \$40,441 and amortization of contract rights amounting to \$3,500.

**CONSOLIDATED STATEMENT OF SOURCE  
AND APPLICATION OF WORKING CAPITAL  
FOR THE SIX MONTHS ENDED  
MARCH 31, 1971**

Source of Working Capital:		
Operations—		
Net earnings		\$ 81,920
Expenses not requiring a current outlay of funds:		
Depreciation and amortization	\$182,087	
Deferred income taxes	9,982	
Minority interest	(2,680)	189,389
		271,309
Increase in long term debt		83,003
		354,312
Application of Working Capital:		
Fixed asset additions	93,362	
Increase in other assets	88,931	182,293
		172,019
Increase in working capital		172,019
Working capital deficit, September 30, 1970		349,966
Working capital deficit, March 31, 1971		\$177,947





